

Financial Strategy



Managers Meeting
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Principles for Financial Strategy Decisions



- Decisions and processes that support funding strategy must be
 - Manageable and flexible
 - Consistent and Comprehensive
 - Customer focused
 - | Align with customer choice
 - | Maximize pay for use
 - | Align with and identify defined benefit

Goals of the Financial Strategy



- Effective cost allocation to cost objective
- Cost efficiency and the ability to demonstrate such efficiency

Definitions

Funding Sources



■ Direct

- **Program** - Primary allocation from program offices
- **Line** - Allocated by line organizations (secondary allocation)
- **Sponsor** - External direct funding (DOE, WFO)

Definitions

Funding Sources ⁽²⁾

■ Indirect

- **G&A** - Institutional management cost

- **Recharge**

- *Institutional* - Laboratory-wide costs for which an application base other than MTC is appropriate. Captured Services, fixed unit cost method, units have ease of traceability to cost objective.

- *Direct* - Costs of Services provided on demand to specific users. Fixed unit cost, product specific

- **Org Support** - Overhead to manage an organization having multiple funding sources

Two Criteria



- #1: Alignment with customer-defined benefit
 - Customer choice/input/control
 - Cost incurred by the beneficiary of the service/product
 - Four Measures
- #2: Cost Efficiency Drivers
 - Effort and expense to ensure costs captured for the beneficiary of services and products
 - One Measure

Criteria 1: Alignment With Customer-Defined Benefit

- Three Attributes to Measure Criteria
 - Measureable/traceable product or service units
 - | Hours, permit, report
 - | Low, Moderate, High
 - Customer Definition
 - | Group, Division, DX; Laboratory-wide
 - | Line/Program; Institutional Management; Both
 - Customer Control
 - | Who does it; what is scope & product; when is it done
 - | Low, Moderate, High

Criteria 2: Cost Efficiency Drivers



- One Attribute to Measure Criteria
 - Expense of cost tracking to include system costs (manageable/flexible)
 - | Number of cost codes, effort of managing multiple codes, effort to track and cost capture
 - | Easy, Medium, Difficult

Deliverables



- Funding options - division vs. group-level
- Potential impact analysis
- Defined rate structure
- Consider transition issues
 - Timing
 - Implementation approach

Funding Determination



- Who is the customer? -
 - Program/Line, Institution, or non-specific
- Who controls the scope (requests or expects) the activity/service/product?
 - From customer's perspective - High or Low

Funding Determination



- Are the activities/services/products expressed in measurable, traceable, and definable units?
 - Level of difficulty in unit tracking - Difficult or Easy
- What is the expense (cost) of tracking the activity/service/product?
 - Assuming direct/line funding - High or Low

Issues



- Captured Services definition
- Cost vs. Price considerations
- Managing quality of data vs. ES&H work deliverables
- Institutional Policy
- Risk management of fee-for-service
- Application to subcontractors